

Message Text

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ACTION COME-00

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

CEA-02 AGR-20 DRC-01 PA-04 PRS-01 USIA-15 /169 W

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R 260515Z JAN 74

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 747

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EO 11652 NA

TAGS BEXP TW

SUBJECT: FY-75 COUNTRY COMMERCIAL PROGRAM - REPUBLIC OF CHINA

REF: CY 1974 (TAIPEI A-13, STATE 6882); CY1973 (STATE 198650,
STATE 167606, TAIPEI 4295, STATE 128397, SATE 50002)

1. SUMMARY - 1973 ROC TRADE SURPLUS WITH US REACHED US\$725 MILLION. REDUCING THIS SURPLUS REMAINS HIGHEST PRIORITY COMMERCIAL GOAL FY-75. EMBASSY BELIEVES MAJOR PROJECTS CONTINUE TO OFFER GREATEST POTENTIAL FOR EXPORTS OF US GOODS AND SERVICES, EVEN THOUGH UNCERTAINTIES ABOUT SUPPLY AND COST OF CRUDE OIL AND OTHER ESSENTIAL RAW MATERIALS AND POSSIBLE WORSENING OF ECONOMIC CONDITIONS IN MAJOR INDUSTRIALIZED COUNTRIES MAY RESULT IN DECISION BY GRC AND PRIVATE SECTOR TO DEFER OR REDUCE SOME INVESTMENTS IN FY-75. SALES OF US CONSUMER PRODUCTS WILL BE RELATIVELY INSIGNIFICANT IN FY-74 IN REDUCING TRADE GAP. HOWEVER, SALES WILL REGISTER DRAMATIC INCREASE AS COMPARE WITH PRECEDING YEARS AND POTENTIAL FOR FURTHER INCREASE IS EXCELLENT. TRADE CENTER EXHIBITS OF TARGET INDUSTRIES ALSO WILL BE IMPORTANT ELEMENT IN PROMOTING SALES OF US GOODS AND SERVICES IN EY-75. EMBASSY RECOGNIZES FULLY IMPORTANCE OF CCP

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AND OBJECTIVES CONTAINED THEREIN, AND ITS RESPONSIBILITIES

TO ENSURE THAT OBJECTIVES ARE MET AS COMPLETELY AS POSSIBLE. END SUMMARY.

2. OBJECTIVES-

A. MAJOR PROJECTS -FY-74 OBJECTIVES INCLUDED FOUR MAJOR PROJECTS: STEEL MILL, PETROCHEMICAL COMPLEX, NUCLEAR POWER UNITS FIVE AND SIX, AND RAILROAD ELECTRIFICATION. FOREIGN PARTICIPATION IN THESE PROJECTS HAS ESSENTIALLY BEEN DETERMINED. US FIRMS HAVE OBTAINED CONTRACTS FOR GOODS AND SERVICES WHICH EVENTUALLY WILL TOTAL APPROXIMATELY US\$1 BILLION. FOR FY-75 SITUATION REGARDING MAJOR PROJECTS IS LESS CLEAR. UNCERTAINTIES OVER SUPPLY AND COST OF CRUDE OIL AND OTHER ESSENTIAL RAW MATERIALS AND POSSIBLE DOWNTURN IN ECONOMIES OF ROC'S MAJOR TRADING PARTNERS (US, JAPAN, EEC) MAY RESULT IN GRC AND PRIVATE SECTOR DECISIONS TO DEFER OR SPREAD OUT INVESTMENTS THEY HAD BEEN CONTEMPLATING. NEVERTHELESS, BECAUSE THE POTENTIAL RETURN FOR AMOUNT OF RESOURCES INVESTED IS BY FAR THE GREATEST IN MAJOR PROJECTS, EMBASSY RECOMMENDS THAT THREE OF FIVE MAJOR OBJECTIVES IN FY-75 CCP BE IN THAT AREA:

(1) GRC MAJOR PROJECTS-THERE ARE A NUMBER OF PROJECTS IN VARIOUS STAGES OF PLANNING WHICH COULD BE STARTED IN FY-75. THERE ALSO ARE A NUMBER OF PROJECTS ALREADY UNDERWAY FOR WHICH EQUIPMENT HAS NOT YET BEEN PURCHASED OR WHICH COULD BE EXPANDED. ALMOST ALL OF THEM REPRESENT A LARGE EXPORT POTENTIAL FOR US GOODS AND SERVICES. A COMPLETE LISTING OF THE PROJECTS IS CONTAINED IN TAIPEI A-13. AMONG THE LARGEST ARE THE NEW TAOYUAN AIRPORT, NEW PORT AT TAICHUNG, EXPANSION OF WATER AND SEWERAGE SYSTEMS IN TAIPEI, SHIPYARD AT KAOHSIUNG, OIL REFINERY NEAR TAIPEI, AND ADDITIONAL NUCLEAR AND THERMAL POWER UNITS AT SEVERAL LOCATIONS.

ACTIONS: (A) ALERT USDOC TO MAJOR PROJECTS EARLY ENOUGH TO GIVE US FIRMS LONGEST LEAD TIME POSSIBLE TO INVESTIGATE PROJECTS AND ENTER BIDS; (B) WORK CLOSELY WITH GRC IN SEEKING FUNDING FOR FOREIGN COSTS OF PROJECTS; (C) RENDER ALL POSSIBLE ASSISTANCE TO QUALIFIED US BIDDERS; (D) IN CASES WHERE FIRMS LIMITED OFFICIAL USE

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PREPARED TO ENTER BIDS ARE TO BE PREQUALIFIED, ENSURE THAT AT LEAST ONE US FIRM IS ON THE LIST; (E) KEEP USDOC AND INTERESTED US FIRMS FULLY INFORMED OF PROGRESS OF PREQUALIFICATION AND BIDDING; (F) FOLLOW CLOSELY IMPLEMENTATION OF PROJECTS IN ORDER TO RENDER MAXIMUM ASSISTANCE TO US FIRMS AWARDED CONTRACTS AND TO FORWARD INFORMATION ON ANY ADDITIONAL POSSIBILITIES FOR US GOODS AND SERVICES TO USDOC AS SOON AS POSSIBLE.

(2) GRC/PRIVATE SECTOR JOINTVENTURE MAJOR PROJECTS-
A LIST OF JOINT VENTURE MAJOR PROJECTS ALSO IS INCLUDED
IN TAIPEI A-13. A MAJORITY OF THEM ARE IN THE FIELD OF
PETROCHEMICALS. HOW MANY ARE IMPLEMENTED WILL DEPEND ON WHE-
THER GRC DECIDES TO GO AHEAD WITH CONSTRUCTION OF THE
FOURTH NAPHTHA CRACKER AT KAOHSIUNG. IF GRC DECIDES
TO DEFER CONSTRUCTION UNTIL THE LONG-RANGE CRUDE OIL
SITUATION IS CLARIFIED, MANY OF THE JOINT VENTURE PROJECTS
ALSO WILL BE DEFERRED. IT IS THE EMBASSY'S OPINION,
HOWEVER, THAT CONSTRUCTION OF THE CRACKER WILL BE APPROVED
WITHIN THE NEXT FEW WEEKS AND MOST, IF NOT ALL, OF THE
JOINT VENTURE PROJECTS CURRENTLY BEING CONSIDERED WILL BE
IMPLEMENTED. IN AREAS OTHER THAN PETROCHEMICALS WHICH ARE
PROMISING FOR JOINT VENTURES, A NEW SHIPYARD IS PLANNED AT KAOHSIUNG
AND A MAJOR URBAN COMPLEX (YIN PIEN), CONSISTING
MCCONAUGHY

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R 260515Z JAN 74

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 748

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OF HOTELS, OFFICE AND APARTMENT HIGH RISES, A CONVENTION
CENTER AND A SHOPPING CENTER, IS PLANNED FOR TAIPEI.

ACTIONS: SAME AS (1) ABOVE.

(3) PRIVATE SECTOR MAJOR PROJECTS-A NUMBEROF

DOMESTIC AND FOREIGN FIRMS ARE PLANNING MAJOR NEW INVESTMENTS OR EXPANSIONS. THE COMBINED TOTAL OF NEW AND ADDITIONAL INVESTMENT IN SERVICES AND EQUIPMENT COULD WELL BE OVER SEVERAL HUNDRED MILLION DOLLARS. FOR REASONS GIVEN ABOVE, SOME OF THIS INVESTMENT MIGHT NOT MATERIALIZE, BUT THE POTENTIAL FOR SALES OF US SERVICES AND EQUIPMENT IS SIGNIFICANT ENOUGH TO WARRANT A MAJOR PROMOTIONAL EFFORT BEING MADE. THE ELECTRONIC TEXTILE, METAL WORKING AND MACHINE TOOL INDUSTRIES OFFER PARTICULARLY GOOD POTENTIAL. ACTIONS: SAME AS (1) ABOVE, EXCEPT THAT GRC BIDDING PROCEDURES WILL, OF COURSE, NOT APPLY IN DEALING WITH PRIVATE SECTOR.

B. CONSUMER PRODUCTS - THE ROC HAS BEEN EXPOSED FOR THE FIRST TIME ON A LARGE SCALE IN FY-74 TO THE VARIETY AND QUALITY OF US CONSUMER PRODUCTS. THE MARKET HERETOFORE HAS BEEN DOMINATED ALMOST EXCLUSIVELY BY LOCAL AND LIMITED OFFICIAL USE

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JAPANESE MANUFACTURERS. THE IN-STORE PROMOTION OF US CONSUMER PRODUCTS SPONSORED BY THE USDOC AND THE FAR EASTERN DEPARTMENT STORE IN TAIPEI, TAICHUNG AND KAOHSIUNG WAS VERY SUCCESSFUL. WHILE SALES OF US CONSUMER PRODUCTS PROBABLY WILL NOT EXCEED US\$5 MILLION IN FY-74, AN EXCELLENT BEGINNING HAS BEEN MADE AND THERE IS NO REASON WHY SALES SHOULD NOT AT LEAST TRIPLE IN FY-75. ACTIONS: (A) SUPPORT FULLY THE IN-STORE PROMOTION TO BE SPONSORED BY USDOC AND THE FAR EASTERN DEPARTMENT STORE IN KAOHSIUNG IN OCTOBER 1974; (B) SCHEDULE A US CONSUMER PRODUCTS SHOW AT THE TRADE CENTER IN FY-75; (C) ENCOURAGE US FIRMS TO LOOK AT THE GROWING ROC MARKET AND HELP THEM FIND GOOD LOCAL AGENTS; (D) ASSIST AGENTS IN SOLVING ANY PROBLEMS THEY HAVE WITH GRC (I.E., GRC RECENTLY TOLD RCA AGENT HE COULD NOT IMPORT SPARE PARTS FOR COLOR TVS. EMBASSY WAS SUCCESSFUL IN GETTING RESTRICTION LIFTED); (E) ENCOURAGE GRC TO LOWER IMPORT DUTIES AND OTHER BARRIERS TO IMPORTS OF US CONSUMER PRODUCTS.

C. SALES OF TARGET INDUSTRY EQUIPMENT-USDOC HAS SELECTED A NUMBER OF TARGET INDUSTRIES FOR INTENSIVE SALES PROMOTION IN FY75-77. A NUMBER OF THESE INDUSTRIES WILL BE FEATURED AT TRADE CENTER EVENTS IN FY-75: PRINTING AND GRAPHIC ARTS, POLLUTION CONTROL, BUSINESS MACHINES, COMPUTERS, METAL WORKING EQUIPMENT AND MACHINERY AND ELECTRONIC COMPONENTS. THESE AND OTHER EXAMPLES OF US INDUSTRIAL PROWESS HAVE GOOD SALES POTENTIAL IN THE ROC. SUCCESS WILL DEPEND ON CONCERTED AND EFFECTIVE PROMOTION BY THE EMBASSY AND THE EXHIBITING FIRMS. IT IS POSSIBLE THAT SALES FROM THE SIX EXHIBITS SCHEDULED FOR THE TRADE CENTER IN 1975 COULD EXCEED

US\$100 MILLION. ACTIONS: (A) IDENTIFY BY MEANS OF MARKET RESEARCH THE SPECIFIC TYPES OF EQUIPMENT WHICH HAVE THE GREATEST POTENTIAL FOR SALES IN ROC; (B) SCHEDULE TRADE CENTER EXHIBITS, TRADE MISSIONS AND CATALOG SHOWS FOR THOSE INDUSTRIES HAVING GREATEST POTENTIAL; (C) ASSIST AS APPROPRIATE US FIRMS IN TARGET INDUSTRIES IN SELLING THEIR EQUIPMENT; (D) SOLICIT SUPPORT FROM GRC IN PROMOTING SALES OF US EQUIPMENT; (E) KEEP USDOC FULLY INFORMED OF THESE PROMOTIONAL EFFORTS.

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3. FUNCTIONAL ALLOCATION OF RESOURCES - THE EMBASSY'S COMMERCIAL SECTION CONSISTS OF THREE US AND SIX LOCAL EMPLOYEES. TWO OF THE US EMPLOYEES (COMMERCIAL ATTACHE AND ASST COMMERCIAL ATTACHE) AND THE SIX LOCAL EMPLOYEES DEVOTE AS MUCH OF THEIR TIME AND EFFORT AS POSSIBLE TO ATTAINING THE OBJECTIVES SPECIFIC IN THE CCP. THE THIRD US EMPLOYEE (COMMERCIAL OFFICER) HAS THE ADDITIONAL RESPONSIBILITIES OF PREPARING THE ECONOMIC/ COMMERCIAL SECTION'S MONTHLY REPORT TO THE DEPARTMENT AND HANDLING TRADE COMPLAINTS. WHEN IT IS FULLY STAFFED AND IN OPERATION, THE TRADE CENTER WILL HAVE THREE US AND SIX LOCAL EMPLOYEES. THEY WILL BE FULLY OCCUPIED IN ATTAINING THE OBJECTIVES OF THE CCP. OTHER EMBASSY PERSONNEL ACTIVELY INVOLVED IN PROMOTING EXPORTS OF US GOODS AND SERVICES ARE THE AMBASSADOR, DCM, ECONOMIC/ COMMERCIAL COUNSELOR, THE THREE ECONOMIC OFFICERS AND THE AGRICULTURAL ATTACHE. OTHER ELEMENTS OF THE COUNTRY TEAM, PARTICULARLY USIA, OCCASIONALLY ARE ALSO INVOLVED. IN TRYING TO ALLOCATE MAN-HOURS TO FUNCTIONS, MANY CONSIDERATIONS APART FROM THE CCP MUST BE TAKEN INTO ACCOUNT. A CONSIDERABLE PORTION OF THE COMMERCIAL SECTION'S TIME AND EFFORT WILL CONTINUE TO BE DEVOTED TO ASSISTING RESIDENT AND VISITING US BUSINESSMEN AND THE CHINESE BUSINESS COMMUNITY. THE EMBASSY CONSIDERS SUCH ASSISTANCE TO BE VITAL AND IT OFTEN LEADS TO EXPORTS OF US GOODS AND SERVICES. MORE ROUTINE DUTIES SUCH AS THE PREPARATION OF WTDRS, TOS, ADS, INVESTMENT OPPORTUNITIES, COMMERCIAL INVITATIONS, THE COMMERCIAL NEWSLETTER AND THE HANDLING OF TRADE COMPLAINTS AND TELEPHONE AND MAIL INQUIRIES ALSO WILL CONTINUE TO OCCUPY A SUBSTANTIAL PART OF THE TIME AVAILABLE.

. POSSIBLE REDUCTION OR ELIMINATION OF WORK- ONLY TWO OF THE SERVICES PRESENTLY PERFORMED BY THE COMMERCIAL SECTION ARE OF QUESTIONABLE UTILITY, THE HANDLING OF TRADE COMPLAINTS AND TOS. THE SECTION'S BATTING AVERAGE ON RESOLVING COMPLAINTS IS NOT VERY HIGH,

PARTICULARLY ON THOSE WHICH INVOLVE IMBROGLIOS BETWEEN
US TOURISTS AND ROC BUSINESSMEN. PERHAPS THE SECTION SHOULD
BE RELIEVED OF THE RESPONSIBILITY TO GET DEEPLY INVOLVED
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IN TRADE COMPLAINTS UNLESS THE TRANSACTION INVOLVED IS IN
EXCESS OF, FOR EXAMPLE, US\$1,000. IF SUCH A LIMIT WERE
ESTABLISHED, THE SECTION'S WORKLOAD IN THIS AREA WOULD
DECLINE APPRECIALLY. AS FOR TOS, USDOC MIGHT CONSIDER
EVALUATING THEIR USEFULNESS IN TERMS OF THE EFFORT REQUIRED
TO PREPARE THEM.
MC CONAUGHY

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